

News Release

October 10, 2018

Hitachi Transport System, Ltd.

Announcement of Capital and Business Alliance with AIT Corporation

Hitachi Transport System, Ltd. (“**HTS**”) hereby announces that it has adopted a resolution to form a capital and business alliance (the “**Capital and Business Alliance**”) with AIT Corporation (“**AIT**”) and has today concluded a capital and business alliance agreement (the “**Capital and Business Alliance Agreement**”).

The Capital and Business Alliance Agreement will be conducted on condition that the share exchange between AIT and Nisshin Transportation Co., Ltd. (“**Nisshin Transportation**”), which is a subsidiary of HTS, is approved by the extraordinary general meeting of shareholders of AIT scheduled to be held on December 21, 2018, and that approval or the like is granted by the relevant authorities, including the Japan Fair Trade Commission.

1. Purpose of and Reason for the Capital and Business Alliance

Founded in 1950 as a logistics subsidiary handling transport operations for Hitachi, Ltd., HTS has broadened its operations through bulk contracting for in-factory and shipping work and transport of ultra-heavy goods in Japan and abroad. Moreover, HTS started building a logistics information system at an early stage, using enhanced services to provide comprehensive logistics services to companies (3PL), and expanded its business with customers outside of the Hitachi Group. Today, HTS—with the aim of becoming the most preferred solution provider for all of our stakeholders—has been promoting measures to realize new innovation under our new business concept “LOGISTEED” in order to expand the collaborative creation field beyond business and industry, with the “enhancement of logistics as a function” being its core.

AIT engages in international freight forwarding business, consisting of international freight forwarding and import/export custom clearance and so on incidental thereto, and 3PL services (management and operation of logistics). Since its incorporation, AIT has focused on and established its bases particularly in the coastal areas of China, and has provided thorough support for the AIT Group’s freight in China and freight information to customers promptly. Moreover, as a company which is acquired a license as an Authorized Customs Broker for the AEO Program and guaranteed its security and compliance, AIT is aiming to provide highly convenient and higher-quality services in international freight forwarding services.

Under these circumstances, based on the shared understanding that it is necessary to further strengthen the business foundation and thereby grow into one of the most competitive logistics companies in and outside Japan, AIT and HTS have reached an agreement on the Capital and Business Alliance, aiming to strengthen the relationship between both companies so that they can expeditiously provide services based on a higher-level alliance between international freight forwarding and 3PL services achieved by mutually utilizing their respective networks and know-how, etc., in line with customers' evolving needs, and to contribute to maximizing their corporate value and fulfillment of their social mission.

2. Particulars of the Capital and Business Alliance

(1) Particulars of the Business Alliance

Both companies plan to carry out a business alliance involving the following particulars. Concrete policies and details will be discussed continuously.

Efforts of HTS and AIT:

- (i) to realize comprehensive logistics services through a seamless alliance between 3PL services and international freight forwarding;
- (ii) to reinforce the revenue base by establishing platforms for apparel and FMCG logistics;
- (iii) to reinforce the sales strengths through collaboration in non-apparel and non-FMCG business; and
- (iv) to reinforce efforts toward advanced logistics utilizing LT* and IT.

*Abbreviation of Logistics Technology.

(2) Particulars of the Capital Alliance

Both companies decided to conduct a share exchange wherein AIT will be a wholly-owning parent company and Nisshin Transportation will be a wholly owned subsidiary (the "**Share Exchange**"), and a share exchange agreement has been concluded between AIT and Nisshin Transportation today.

Through the Share Exchange, HTS will hold approximately 20% of the total number of AIT's issued shares (4,800,000 shares), and become a major shareholder and an affiliated company of AIT. During the term of the Capital and Business Alliance Agreement, HTS must not transfer to a third party, create security over, or otherwise dispose of, AIT shares to be held by HTS, except where AIT gives its prior consent.

3. Outline of the Capital and Business Alliance Partner

(i) Name	AIT Corporation			
(ii) Address	2-1-6, Honmachi, Chuo-ku, Osaka			
(iii) Representative title, name	Hidekazu Yagura, President & CEO			
(iv) Business description	International freight forwarding			
(v) Capital	271,140,000 yen			
(vi) Founded	February 1, 1988			
(vii) Major shareholders and their stakes (as of February 28, 2018)	H&Y Corporation		36.14%	
	BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND		4.47%	
	Japan Trustee Services Bank, Ltd.		4.09%	
	AIT Corporation		3.24%	
	NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS		2.66%	
(viii) Relationship between HTS and the listed company	Capital relationship	N/A		
	Personnel relationship	N/A		
	Transactional relationship	There is no transactional relationship to be noted.		
	Related party or not	N/A		
(ix) Consolidated business results and consolidated financial conditions for the past 3 years				
	Fiscal year	Term ended February 2016	Term ended February 2017	Term ended February 2018
	Net assets (million yen)	4,741	5,066	5,610
	Gross assets (million yen)	6,368	6,802	7,654
	Net assets per share (yen)	247.25	264.50	292.10
	Operating revenue (million yen)	21,146	21,263	25,114
	Operating profit (million yen)	1,530	1,392	1,497
	Net profit attributable to shareholders of the parent company (million yen)	1,042	981	1,100
	Net profit per share (yen)	54.55	51.35	57.56
	Dividend per share (yen)	30.00	30.00	35.00

4. Timeline

(i) Conclusion of the Capital and Business Alliance Agreement	October 10, 2018
(ii) Conclusion of the Share Exchange Agreement	October 10, 2018
(iii) Approval by AIT's general meeting of shareholders	December 21, 2018 (tentative)
(iv) Effective date of the Share Exchange	March 1, 2019 (tentative)

5. Outlook

The impact that the Capital and Business Alliance will have on HTS's business results this fiscal year is minor. Going forward, if it is found that there will be a material impact on HTS's business results, we will give prompt notification.

End

Contact Information

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